

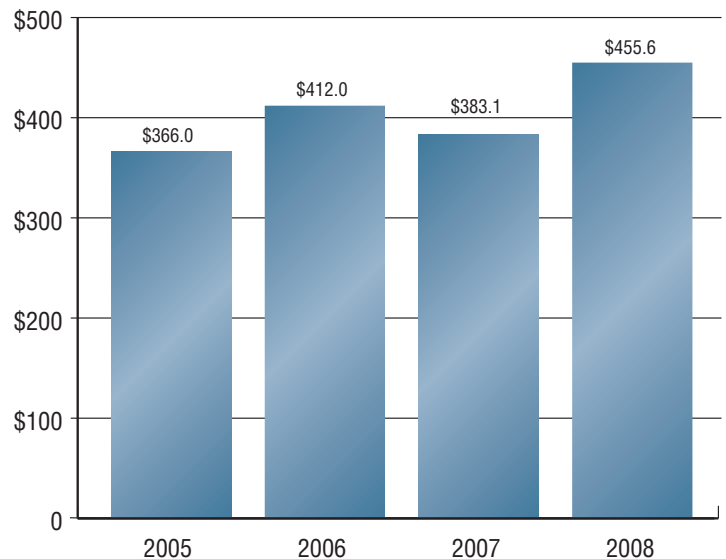


Department of Social and Health Services OFFICE OF FINANCIAL RECOVERY

RECOVERING REVENUES TO HELP FUND DSHS PROGRAMS

The Office of Financial Recovery (OFR) is a collection arm of the Department of Social and Health Services (DSHS). Working with service programs, clients and customers, OFR focuses on maximizing collections for DSHS and the taxpayers of Washington state. Funds recovered are used by DSHS programs to meet current expenditures and provide financial aid, medical care and a host of other services for our state's most vulnerable citizens. In Fiscal Year 2008, OFR recovered over \$455 million.

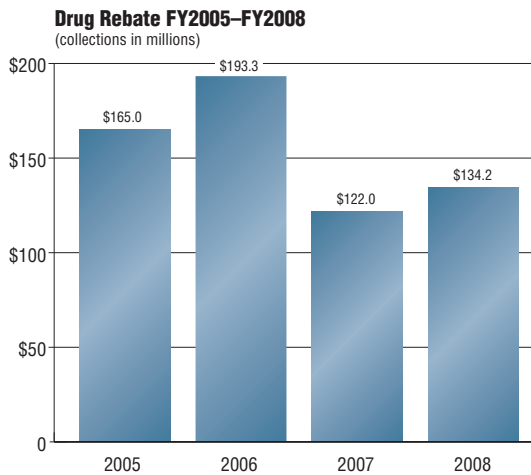
Total OFR Collections FY2005–FY2008
(in millions)



OFR Program Collections FY2008	Million \$
Medicaid Drug Rebate	\$134.2
Developmental Disabilities	\$119.2
Vendor Recovery	\$92.2
Mental Health	\$49.0
Supplemental Security Income	\$32.3
Estate Recovery	\$17.6
Client Recovery	\$3.0
Food Assistance	\$3.2
Premium Recoveries	\$3.4
Juvenile Rehabilitation	\$1.1
L & I Time Loss	\$0.4
Total	\$455.6

An office within the Department's Financial Services Administration (FSA), OFR uses administrative collection processes and tools to collect debts, with legal authority provided by RCW 43.20B and other authorities. OFR manages 11 programs that recover revenues, collect overpayments, and bill and collect fees. Examples include overpayments to vendors and other providers, Medicaid and Medicare reimbursements, court-ordered judgments, employee overpayments and collection of certain medical premiums.

ABOUT OUR PROGRAMS



Medicaid Drug Rebate

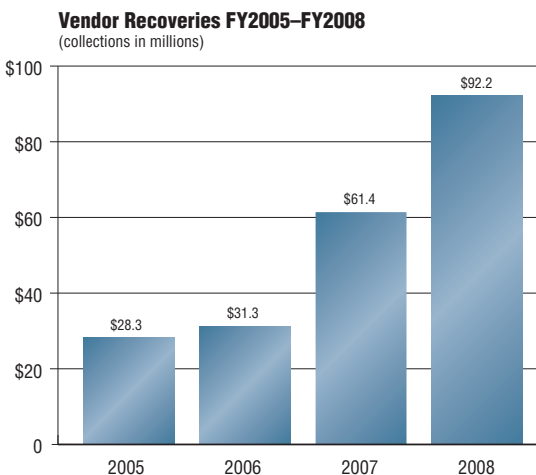
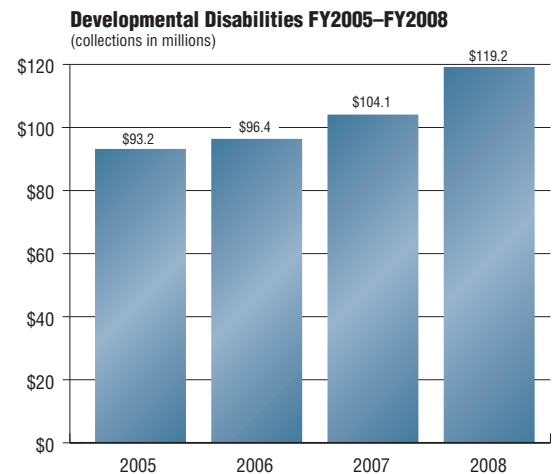
DSHS annually spends about \$1.6 billion for clients' Medicaid drug costs. Through a rebate program with drug manufacturers, the state bills pharmaceutical companies for the rebate portion on a quarterly basis. The refunds received are used to provide on-going medical assistance for other qualified clients.

OFR's Drug Rebate section is responsible for the posting and accounting of rebates received. Although collections decreased to \$122.0 million in FY2007 due to the implementation of Medicare Part D, revenues rose to \$134.2 million in FY2008.

Developmental Disabilities

Adults and children with developmental disabilities are some of the most vulnerable clients served by DSHS. The Division of Developmental Disabilities (DDD) assists individuals and their families in obtaining services and support. OFR works with local Community Service Offices, families and care facilities to ensure that the state is reimbursed for the cost of care provided to eligible patients.

For clients eligible for Medicaid, OFR bills Medicaid and accounts for the payments received. For non-Medicaid eligible clients, OFR works with insurance companies, family members or authorized representatives to recover the cost of care. Collections increased from \$104.1 million in FY2007 to \$119.2 million in FY2008.



Vendor Recovery

OFR's Vendor Recovery Unit collects debts owed the state by businesses and individuals that are contracted to provide services for DSHS clients. The revenue recovered is an important source of funding for DSHS programs that provide critical client services.

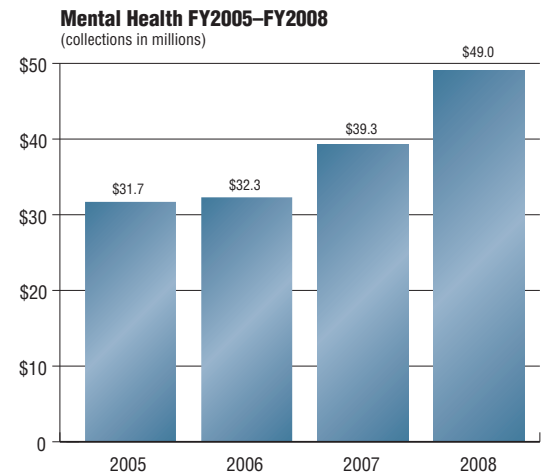
Some of these debts include overpayments from federal, state and local government agencies, child care and employee overpayments, civil fines, referrals from county Regional Support Networks (RSN) that provide mental health services, and debts referred by administrations within DSHS. Recoveries rose from \$61.4 million in FY2007 to \$92.2 million in FY2008. This increase was largely due to RSN referrals.

ABOUT OUR PROGRAMS

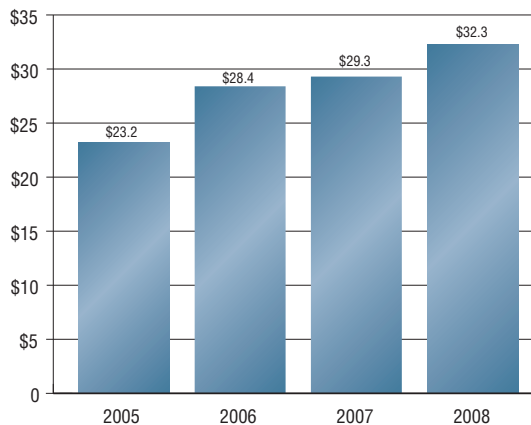
Mental Health

DSHS annually provides in-patient mental health care for over 3,000 clients at Eastern State Hospital, Western State Hospital and the Child Study Treatment Center. Admission for adults is based on a need for services, not the ability to pay for those services.

OFR manages the billing and accounting for patient care provided at these facilities. A patient's liability for the cost of care and their ability to pay is determined based on available financial resources of the responsible parties. Third party payers, such as Medicare, Medicaid and private insurance, are billed first. Mental Health collections increased from \$39.3 million in FY2007 to \$49.0 million in FY2008.



Supplemental Security Income FY2005–FY2008
(collections in millions)



Supplemental Security Income (SSI)

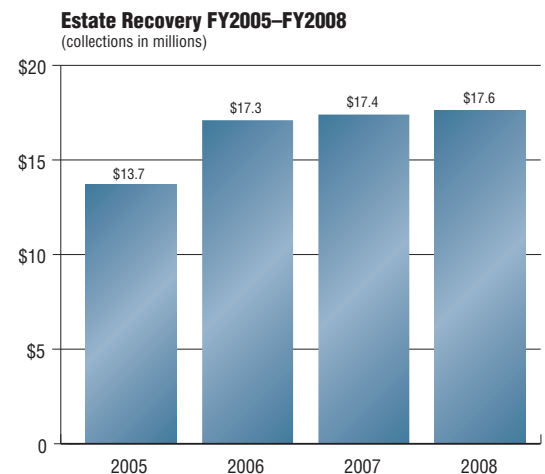
To help people maintain their quality of life when they are temporarily unable to work, the state provides interim cash assistance to adults without dependents while federal Supplemental Security benefits are pending. Recipients sign an agreement to reimburse the state the amount of the cash assistance received up to the time the Social Security Administration approves their SSI application.

When the SSI application is approved, OFR receives and accounts for the retroactive payment, returns the amount paid to DSHS and forwards any remaining funds to the client. SSI collections increased from \$29.3 million in FY2007 to \$32.3 million in FY2008.

Estate Recovery

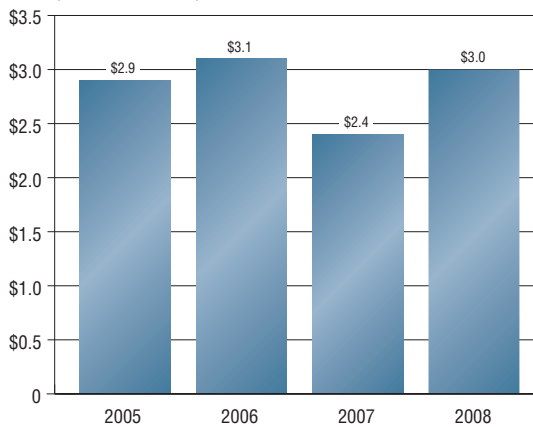
Each year, many people who are 55 and older receive medical and other services from DSHS. To qualify for these services, clients agree their estates will pay back the cost of the care received after their death. The Estate Recovery unit is responsible for recovering these debts and returning funds to DSHS programs.

Upon receiving notice of a recipient's death, OFR determines whether a claim to recover the costs of services can be made according to Washington state statute. A lien is filed on the decedent's property and a Creditor's Claim against the estate. In addition, OFR is able to recover medical expenses paid by DSHS from Special Needs Trusts and Annuities where DSHS is named as beneficiary. Collections increased from \$17.4 million in FY2007 to \$17.6 million in FY2008.



ABOUT OUR PROGRAMS

Client Recovery FY2005–FY2008
(collections in millions)



Client Recovery

Overpayments are sometimes made to clients receiving financial assistance, medical assistance and other social services from DSHS. The local Community Service Office usually discovers the overpayment, notifies the client and refers the overpayment to OFR for collection. Recovered funds are used by DSHS programs to continue to provide vital public assistance. Client collections increased from \$2.4 million in FY2007 to \$3.0 million in FY2008.

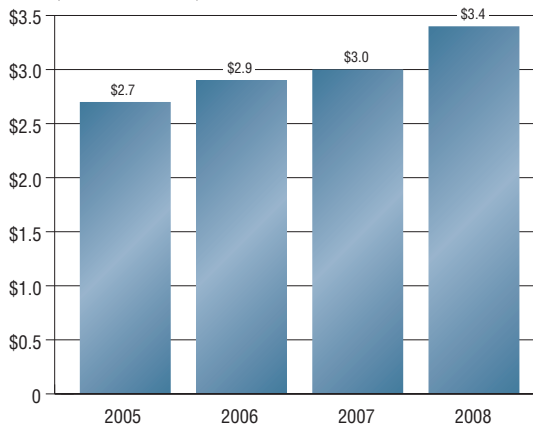
Food Assistance Overpayments

Clients receiving federal Food Assistance (Food Stamps) may also receive overpayments, which are referred to OFR for collection. Other federal payments, including income tax refunds, federal wages and social security benefits, can be applied to repay Food Assistance debts through the Treasury Offset Program (TOP). Most food assistance recoveries are forwarded to the federal government, but a percentage of each dollar collected is retained and used to support DSHS programs. Food Assistance collections increased from \$2.7 million in FY2007 to \$3.2 million in FY2008.

Food Assistance Overpayments FY2005–FY2008
(collections in millions)



Premiums FY2005–FY2008
(collections in millions)



Premium Recovery

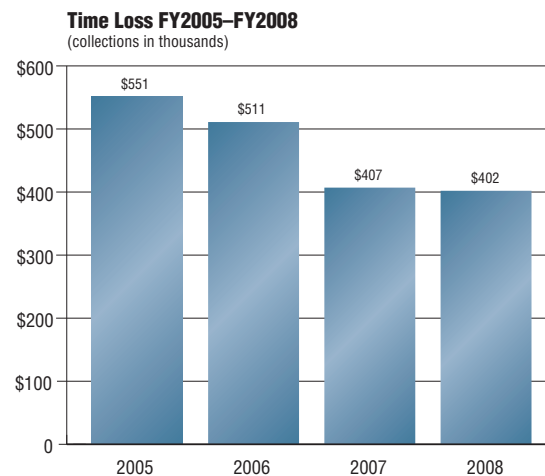
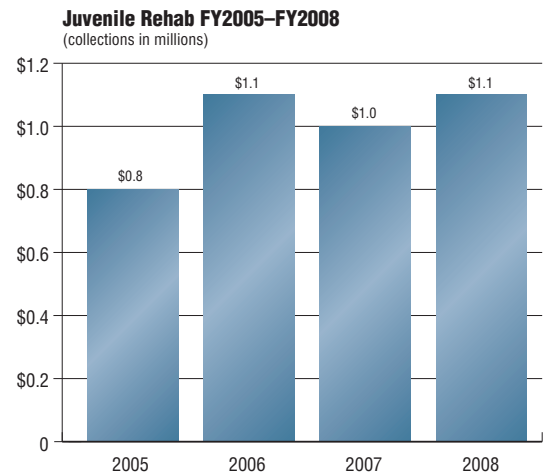
DSHS administers four programs that provide medical coverage for over 14,000 children and adults who would not otherwise have health insurance. OFR manages the billing and accounting for these programs that include the Children's Health Program (CHP) and State Children's Health Insurance Program (SCHIP); Healthcare for Workers with Disabilities (HWD); and Medical Extension Benefits (MEB). OFR is also responsible for the billing and processing of licensing fees for the Department of Early Learning's (DEL) child care program and the Aging and Disability Services Administration's (ADSA) adult family homes, nursing homes and boarding homes. Collections from these programs increased from \$3.0 million in FY2007 to \$3.4 million in FY2008.

ABOUT OUR PROGRAMS

Juvenile Rehabilitation

About 1,000 youth are committed annually to the Juvenile Rehabilitation Administration (JRA) by county juvenile courts in Washington. State law requires that parents participate in the cost of their child's care according to a sliding fee schedule. A Notice of Finding of Financial Responsibility (NFFR) is sent to the responsible parent and forms the legal basis for the collection and enforcement of the debt.

OFR collects amounts owed the JRA and is responsible for establishing, managing and collecting the accounts receivable. From FY2007 to FY2008, recoveries increased from \$1.0 million to \$1.1 million.



Time Loss

OFR coordinates with the Department of Labor & Industries (L & I), to ensure that clients who cannot work due to a work-related accident or injury receive needed benefits. Both agencies have a responsibility to make sure that benefit payments are not duplicated.

OFR files a lien against the recipient's L & I benefits to ensure that DSHS will be reimbursed for the amount of cash assistance paid. OFR calculates the amount of duplicated benefits, and L & I deducts the amount from the client's time loss benefits. Time loss revenues decreased slightly from about \$407,000 in FY2007 to \$402,000 in FY2008. This trend is due to improvements in work place safety that have reduced the number of L & I claims.

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